

CALIFORNIA GAMBLING CONTROL COMMISSION

SPECIFIC LANGUAGE OF PROPOSED REGULATIONS

MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR GAMBLING ESTABLISHMENTS
GENERAL TERMS, CONDITIONS & DEFINITIONS; POLICIES & PROCEDURES; DROP & DROP
COLLECTION; COUNT & COUNT ROOM FUNCTIONS; AND CAGE FUNCTIONS.
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TITLE 4. BUSINESS REGULATIONS.

DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

ARTICLE 3. ~~[RESERVED]~~ MINIMUM INTERNAL CONTROL STANDARDS (MICS)
FOR GAMBLING ESTABLISHMENTS.

§ 12380. Minimum Internal Control Standards; General Terms, Conditions, Definitions.

(a) “Minimum Internal Control Standards,” or “MICS,” are the minimum requirements to operate a gambling establishment as set forth in this chapter, and include, but are not limited to, administration controls, and controls requiring segregation of duties. A licensee must meet or exceed these requirements in controlling its gambling operation.

(b) The purposes of the MICS are to better ensure the maintenance of accurate records, the recording of all income, the safeguarding of assets and records of the gambling establishment, operational efficiency and integrity, and adherence to prescribed policies and procedures.

(c) Failure by a licensee to comply with the requirements of this article or to cure a deficiency noticed pursuant to subsection (e) of Section 12381 constitutes an unsuitable method of operation and is a ground for disciplinary action.

(d) For purposes of this article:

(1) “Tier I licensee,” means an owner licensee authorized to operate one to five tables.

(2) “Tier II licensee,” means an owner licensee authorized to operate six to ten tables.

(3) “Tier III licensee,” means an owner licensee authorized to operate eleven to thirty tables.

(4) “Tier IV licensee,” means an owner licensee authorized to operate thirty-one to sixty tables.

(5) “Tier V licensee,” means an owner licensee authorized to operate sixty-one or more tables.

(6) Absent specific reference to a particular tier, any requirement of any regulation in this article shall be deemed to be applicable to all licensees.

(e) As used in this article:

(1) “Security department,” means the operational entity within a gambling establishment that is responsible, but not necessarily solely responsible, for physically safeguarding patrons and patron’s property, personnel, and the licensee’s assets and property; detecting and deterring criminal acts; detaining, or assisting in the detention of, persons who may be involved in illegal acts for the purpose of notifying appropriate law enforcement authorities; and preventing or assisting in the prevention of gambling by persons who are less than 21 year of age.

(2) “Surveillance unit,” means the operational system or entity within a gambling establishment that is responsible for the video recording, as may be further specified in this article, of all activities required to be under surveillance, monitored and/or recorded pursuant to the Act and this division for the purposes of detecting and documenting illegal activities, detecting and documenting gambling by persons under 21 years of age, and assisting the personnel of the security department in the performance of their duties. The surveillance units for licensees in Tier V shall be continuously staffed during the hours of operation of the gambling business and during all drop collection and count procedures, whether conducted during the hours of operation or not. The surveillance units for Tiers I through and including IV are not required to be staffed, except as may otherwise be required in this article.

NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19840, 19841, 19922 and 19924, Business and Professions Code.

§ 12381. Policies and Procedures.

(a) All licensees shall have written policies and procedures that shall address each major area of the gambling establishment operations and meet or exceed the MICS contained in this article.

(b) A licensee’s policies and procedures shall be communicated to employees through new employee orientations and periodic training sessions.

(c) Adherence to the policies and procedures established to comply with this article shall be required.

(d) On request, copies of a licensee’s policies and procedures shall be provided, within a reasonable time specified, for the Commission and/or Bureau to review.

(e) If the Bureau determines that the policies and procedures do not adequately address the requirements of this article, within 10 days of that determination the Bureau shall give written

notice to the licensee identifying the deficiencies and specifying a time certain within which those deficiencies must be cured. The time initially specified shall be reasonable under the circumstances known to the Bureau, but in no event shall it exceed 30 days. The time specified may be extended for a period not to exceed 30 days upon written request and a showing of good cause by the licensee. Requests for extension of time shall be submitted to the Bureau at least ten days prior to the end of the time specified in the initial written notice or in any extension of time.

(f) Unless otherwise specified in this chapter, all forms, books, records, logs, lists, recordings and any and all other original source or duplicate documentation required to be maintained by a licensee pursuant to this chapter shall be:

(1) Recorded in English;

(2) Recorded in a permanent form or media;

(3) Maintained for a minimum of three years, unless otherwise specified, in a secured area on site at the gambling establishment or at a California facility approved in advance by the Bureau; and

(4) Made immediately available to Bureau personnel upon request, between the hours of 9:00 a.m. and 6:00 p.m. on weekdays (excluding holidays), or as otherwise mutually agreed to by the licensee and the Bureau.

(g) In addition to the requirements of subsection (a) through and including (f), licensees in Tiers II through and including V shall assign the overall responsibility for establishing, periodically reviewing, monitoring, and testing for compliance their MICS policies and procedures to a specific owner or member of management and shall document the assignment in the licensee's policies and procedures. Tests for compliance with MICS policies and procedures shall be performed at least annually, and may be performed by a licensee's staff, other than the person or persons who normally perform the duties being tested, or by agents or outside consultants (e.g., a certified public accountant) for the licensee. The results of the tests, and a detailed record of the efforts to correct any noncompliance found as a result of the tests, shall be documented and the documentation retained by the licensee.

(h) Licensees shall establish and implement policies and procedures in accordance with the applicable provisions of this section no later than [the first day of the first full month six months following the effective date of this section].

NOTE: Authority cited: Sections 19827, 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19827, 19841, 19922 and 19924, Business and Professions Code.

§ 12384. Drop and Drop Collection.

(a) The policies and procedures for all Tiers shall meet or exceed the following standards for the drop and collection of the drop for non-electronic gambling tables:

(1) Drop collection fees shall be deposited into a secure container, known as a “drop box,” that shall be securely attached to the gambling table. A drop box shall be constructed and controlled in a manner to provide for the security of its contents.

(2) If a jackpot or any other player-funded gaming activity is offered, jackpot collections shall be deposited into a separate drop box, or otherwise segregated, and accounted for separately.

(3) Drop boxes shall have all of the following:

(A) A lock securing the contents.

(B) A separate lock securing the drop box to the gambling table. This lock shall be keyed differently from the lock securing the contents of the drop box.

(C) An individual identifier that corresponds to the gambling table to which the drop box is attached and the shift, if applicable, for which it is used, and that can be documented when the box is removed from the table. Visible drop box identifiers shall be imprinted or impressed on the box and capable of being seen and read in video surveillance recordings, either while attached to the table or when removed from the table and immediately displayed to a surveillance camera. If a bar code or an equivalent system is used, in addition to the imprinted or impressed identifiers, it shall have the capability to identify each drop box by shift and table, the person or persons performing the collection, and the date and time of the collection.

(D) An opening through which chips collected for fees shall be inserted.

(4) An emergency, interim, or temporary drop box may be maintained without a number or marking, if the applicable designation is permanently imprinted or impressed thereon and, when put into use, it is temporarily marked as provided in subparagraph (C) of paragraph (3) above.

(5) A drop box, when removed from a gambling table, whether in use or not, shall be afforded security sufficient to protect the drop box and its contents and shall be stored in a secure area while awaiting the count.

(6) A drop box, when not in use during a shift, may be stored on a gambling table if the entire area is secure or covered by surveillance during that period of time.

(7) The licensee shall establish and schedule the time(s) for the collection of drop boxes and shall ensure that the entire drop collection process is recorded by video surveillance. Except as otherwise provided in subsection (c), the drop box collection may be performed more frequently or less frequently than the time(s) scheduled by the licensee when circumstances warrant a reasonable deviation from the established schedule.

(8) The drop collection shall be performed by at least one licensed or permitted individual.

(b) In addition to the requirements of subsection (a), the policies and procedures for Tiers III through and including V shall include the following standards for drop collection:

(1) All drop boxes, whether in use or not, shall be removed from the gambling table as provided in subsection (a) by at least one key employee of the gambling establishment accompanied by at least one member of the security department or its equivalent. The key employee shall not be a member of the security department or its equivalent.

(2) The names of the individuals performing the drop collection shall be documented either by software or in writing and, when documented in writing, those individuals who performed the collection shall legibly print their names and sign the documentation.

(3) A drop box, when not in use during a shift, may be stored on a gambling table if the entire area is covered by recorded video surveillance during that period of time.

(c) In addition to the requirements of subsections (a) through and including (c), the policies and procedures for Tiers IV and V shall include standards for drop collection that provide for continuous live monitoring of the drop collection process by at least one member of the surveillance unit during the recording of the video surveillance.

(d) Licensees shall establish and implement the applicable standards for drop collection specified in subsections (a) through and including (d) no later than *[the first day of the first full month six months following the effective date of this section]*.

NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19841, 19922 and 19924, Business and Professions Code.

§ 12385. Count; Count Room Functions.

(a) The policies and procedures for all Tiers shall meet or exceed the following standards for

count room functions:

(1) The licensee shall ensure that the contents of drop boxes are counted and recorded in a manner and in a location within the licensed gambling establishment that ensures the appropriate security and proper accounting of all gambling chips.

(2) The licensee shall designate an individual or individuals, each holding a valid gambling license or work permit, who shall be responsible for performing the drop count. The opening, counting and recording of the contents of a drop box shall be performed in the presence of and by the designated individual(s).

(3)(A) Drop box counts shall be permanently recorded, in ink or another form approved by the owner licensee, on a daily count sheet or the equivalent, which documents all of the following information, as applicable:

1. The name of the gambling establishment;
2. The date and time of the count;
3. The shift, individual box number and table number of each box counted;
4. The amount in each individual box;
5. The total number of boxes counted; and
6. The printed or recorded name(s) of the individual(s) conducting the count and, if a hard copy record, the signature(s) of the individual(s).

(B) Corrections to the information initially recorded for the drop count prior to the completion and signing of a hard copy daily count sheet shall be permitted. Corrections shall be made by drawing a single line through the error and writing the correct figures above the original figures or by another method approved by the Bureau. The designated individual making the correction shall write his or her initials and the date, in ink, immediately next to the correct figures. The correction, in a hard copy of a daily count sheet, of errors discovered subsequent to the completion and signing by the designated individual(s) shall require the completion of a revised or amended count sheet, which shall be maintained with the original count sheet.

(4) The entire count process, beginning with the opening of the first drop box and continuing through completion of the count sheet, shall be continuously recorded by video surveillance.

(5) The contents of a drop box shall not be mixed or commingled with the contents of any other drop box prior to the counting and recording of its contents.

(6) A drop box shall be emptied in a manner that will identify and record the box

identification, as specified in Section 12384, subsection (a), paragraph (3), subparagraph (C), and paragraph (4), and so that video surveillance recording will document that all contents are removed from the drop box for the count.

(b)(1) In addition to the requirements of subsection (a), the policies and procedures for Tiers II through and including V shall include standards for count room functions that require the use and maintenance of a secured area known as the count room for the counting of gambling chips, which shall:

(A) Be designed and constructed to provide appropriate security for the materials housed therein and for the activities conducted therein;

(B) Not be used as a storage facility for items or materials not directly associated with the count process, nor have any removable containers that could be used to conceal chips or cash.

(2) If the count room is used to store chips, cash, drop boxes or any other items or materials that are directly associated with the count, the interior of the room and all of its contents shall be under constant recorded video surveillance.

(c) In addition to the requirements of subsection (a) and (b), the policies and procedures for Tiers III through and including V shall include the following standards for count room functions:

(1) The number of individuals designated by the licensee, pursuant to paragraph (2) of subsection (a), to perform the drop count shall not be less than two individuals, or one individual using an automated chip counting machine that counts, sorts and racks the chips, and records the count electronically on the licensee's computer system.

(2) The designated individuals performing the count shall be attired so as to reduce their ability to conceal chips on their person; for example, by wearing, over their regular clothing, smocks or other clothing with no pockets.

(3) At the conclusion of the count, a cage or vault cashier or the equivalent shall count the chips received and verify the accuracy of the count.

(4) Count sheets verified pursuant to paragraph (3) above shall, immediately following verification, be remitted to the accounting department or its equivalent, or deposited in a locked box, located in a secure area of the gambling establishment, accessible only by the accounting department or its equivalent. Count sheets shall be maintained and controlled by the accounting department or its equivalent.

(d) In addition to the requirements of subsections (a) through and including (c), the policies

and procedures for Tiers IV and V shall include the following standards for count room functions:

(1) The count room shall be a fully enclosed room equipped with an alarm system or device connected to all entrances to the count room which causes a signaling to the surveillance unit or its equivalent, whenever any door to the count room is opened.

(2) Immediately prior to the commencement of the count, one of the designated individuals shall notify the surveillance unit that the count is about to begin. The entire count process shall be continuously monitored and recorded by video surveillance.

(3) Immediately prior to the opening of a drop box, the door to the count room shall be secured. Except as otherwise authorized by the licensee's policies and procedures, no person shall be permitted to enter or leave the count room, except during a normal work break or in an emergency, until the entire counting, recording, and verification process is completed.

(e) In addition to the requirements of subsections (a) through and including (d), the policies and procedures for Tier V shall include standards for count room functions that require the drop count to be performed by not less than three individuals designated by the licensee pursuant to paragraph (2) of subsection (a), or two individual using an automated chip counting machine that counts, sorts and racks the chips, and records the count electronically on the licensee's computer system.

(f) Licensees shall establish and implement the applicable standards for count and count room functions specified in subsections (a) through and including (e) no later than [the first day of the first full month six months following the effective date of this section].

NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19841, 19922 and 19924, Business and Professions Code.

§ 12386. Cage Functions.

(a) The policies and procedures for all Tiers shall meet or exceed the following standards for the cage:

(1) The licensee shall maintain within the gambling establishment at least one separate and secure area at a fixed location that is accessible to the public, and that is designated as the cage. The cage shall be located, designed, constructed and operated to provide appropriate security and accountability for funds.

(2) The licensee shall designate at least one employee to process monetary transactions through the cage, who shall be listed by title or position on the gambling establishment's organizational chart, and who shall be responsible for, at a minimum, the following:

(A) Custody of the cage or individual cage drawer inventory, which is comprised of currency, coin, patron checks, gambling chips, forms, documents and records consistent with the operation of a cage or individual cage drawer.

(B) Receipt, distribution, and redemption of gambling chips.

(C) Deposits to and withdrawals from players' banks and dealers' banks.

(D) Cashing checks and/or extensions of credit for patrons, as permitted by the licensee's policies and procedures.

(E) Preparation of cage accountability reconciliations and records necessary to document compliance with the requirements of this chapter.

(F) Preparation of records necessary to document compliance with the requirements of Title 31 of the United States Code, Part 31 of the Code of Federal Regulations and subsection (a) of Section 12404 of this chapter.

(G) Ensuring the proper accounting and safeguarding of funds and chips.

(3) Routine access and entry into the cage area shall be limited to on-duty cage personnel designated pursuant to paragraph (2) of this subsection. Other employees of the gambling establishment who hold a valid gambling license or work permit may be granted access to the cage area for the purpose of performing their duties.

(4) A log shall be maintained to document entry into the cage by any person not authorized access pursuant to paragraphs (2) and (3) of this subsection. The log must contain the person's name, title, date of entry, and time entering and exiting; or provide substantially equivalent information through an automated access control system. Any automated access control system must provide a secure, tamperproof means of recording and maintaining entry and exit information.

(5) Cage activity shall be reconciled after each shift by the incoming and outgoing designated cage employees. If an impress is used, each outgoing designated cage employee responsible for an impressed drawer shall reconcile his or her drawer to the impressed amount. All transactions that flow through the cage shall be appropriately summarized and documented, in writing, for each shift. The cage activity reconciliations shall be posted and reconciled to the general ledger

at least monthly.

(6) The purchase or redemption of chips by a patron may only occur at the cage or from a designated gambling establishment employee on the gambling floor. Licensees shall not permit proposition player service providers to purchase or redeem chips for cash or cash equivalents from a patron. For the purposes of this article, the purchase or redemption of chips shall not include the exchange of a chip or chips of one total value for a chip or chips of an equal total value.

(b) In addition to the requirements of subsection (a), the policies and procedures for Tiers III through and including V shall include the following standards for the cage:

(1) The cage and cage activities shall be under continuous recorded video surveillance.

(2) The reconciliation of the cage transactions provided for in paragraph (5) of subsection (a), shall be summarized on a cage accountability form that shall include, at a minimum, all of the following, as applicable:

(A) The date of the reconciliation;

(B) The designation of the shift being reconciled;

(C) An accounting of all items in the cage inventory (e.g., cash, coin, chips, players' and dealers' banks, etc.), for each cage window, drawer or bankroll in use during the subject shift, including:

1. The beginning shift balances, unless an impress is used;

2. All credits (receipts);

3. All debits (disbursements);

4. The ending balances;

5. An identification of any overage or shortage with an explanation, if known.

(D) The printed name and signature of each designated cage employee (incoming and outgoing, unless an impress is used) performing the reconciliation.

(3) The cage activity reconciliations specified in paragraph (2) of this subsection shall be posted and reconciled to the general ledger, as provided in paragraph (5) of subsection (a), by someone other than a designated cage employee or cage supervisor.

(c) In addition to the requirements of subsections (a) and (b), the policies and procedures for Tiers IV and V shall include the following standards for the cage:

(1) The design and construction of the cage shall include:

(A) A manually triggered silent alarm system connected directly to the surveillance unit, or its equivalent, or an alarm monitoring agency; and

(B) Access through a secured door or doors, which shall be under constant recorded video surveillance.

(2) In addition to the information specified in paragraph (2) of subsection (b), the cage accountability form referenced therein shall include an itemization of the following, with beginning and ending balances for non-impressed drawers, and ending balances for impressed drawers:

(A) Cash and coin by denomination;

(B) Chips by denomination;

(C) All other items of monetary value (e.g., markers, patron checks, players' and dealers' banks, chip runners' banks, etc.), specifying the source of each;

(3) The licensee shall maintain a list of the names of all persons designated pursuant to paragraph (2) of subsection (a) as being authorized to access and/or enter the cage, which list shall specify those persons who possess the combination or the keys or who control the mechanism to open the devices securing the entrance to the cage, and those who possess the ability to operate the alarm system.

(d) In addition to the requirements of subsections (a), (b) and (c), the policies and procedures for Tier V shall include standards for the cage that require monitored and recorded video surveillance of the interior of the cage and all of its contents, and the exterior of all access doors.

(e) Licensees shall establish and implement the applicable standards for cage functions specified in subsections (a) and (b) no later than *[the first day of the first full month six months following the effective date of this section]*.

NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19841, 19922 and 19924, Business and Professions Code.